

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	)	
On Its Own Motion,	)	
	)	
-vs-	)	
	)	
North Shore Gas Company	)	06-0751
	)	
	)	
Reconciliation of revenues	)	
collected under gas	)	
adjustment charges with actual	)	
costs prudently incurred.	)	

DIRECT TESTIMONY  
OF  
CHRISTINE GREGOR

- 1 Q. Please state your name and business address.
- 2 A. Christine Gregor, 130 East Randolph Drive, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. The Peoples Gas Light and Coke Company
- 5 Q. What position do you hold with The Peoples Gas Light and Coke
- 6 Company?
- 7 A. I am the Assistant Controller.
- 8 Q. What are your responsibilities in that position?
- 9 A. I am responsible for the coordination of budget preparation, forecast
- 10 updates, analyses of financial and operational results and for making
- 11 recommendations regarding gas charge rates for North Shore Gas Company

12 (“North Shore” or “Respondent”) and its affiliate company, The Peoples Gas Light  
13 and Coke Company (“Peoples Gas”).

14 Q. Please summarize your educational background and experience.

15 A. In 1987, I graduated from Eastern Illinois University with a Bachelor of  
16 Science (Accounting). In 1993, I received a Masters in Business Administration  
17 from De Paul University. I have been employed by Peoples Energy Corporation  
18 or Peoples Gas from September 1987 to the present. I began my employment  
19 with Peoples Gas in the General Accounting Department. In April 1997, I was  
20 transferred to the Tax Department. In January 2000, I was promoted to manager  
21 of the General Accounting Department. In December 2003, I was transferred to  
22 the Decision Support Department. In April 2006, I was promoted to Assistant  
23 Controller of Utility Accounting and Control.

24 Q. Please give a brief description of the operations and status of Respondent.

25 A. I am advised by counsel that Respondent is a corporation organized and  
26 existing under the laws of the State of Illinois, having its principal office at 130  
27 East Randolph Drive, Chicago, Illinois 60601. It is engaged in the business of  
28 purchasing, storing, distributing, selling and transporting natural gas to over  
29 156,000 customers. Respondent's service territory covers approximately 275  
30 square miles, located in northeastern Illinois. I am advised by counsel that  
31 Respondent is a public utility within the meaning of the Public Utilities Act.

32 Q. Please describe the subject matter of this proceeding.

33 A. Pursuant to Section 9-220 of the Public Utilities Act, on November 21,  
34 2006, the Illinois Commerce Commission (“Commission”) entered a citation order

35 ("order") directed to thirteen Illinois gas utilities, including Respondent. The order  
36 requires Respondent to present evidence to the Commission at a public hearing  
37 in Docket No. 06-0751 reconciling revenue collected under the purchased gas  
38 adjustment clause (Rider 2, Gas Charge, of Respondent's Schedule of Rates)  
39 with the actual costs prudently incurred and recoverable under Rider 2, for the  
40 twelve months ended September 30, 2006, Respondent's fiscal 2006. The order  
41 also requires Respondent's filing to reflect fourteen specified data for each of its  
42 Gas Charges. The order further requires that notice of the filing of this evidence  
43 be made in accordance with the requirements of 83 Illinois Administrative Code  
44 Part 255.

45 Q. Please describe the notice given by Respondent of the filing in this case.

46 A. At the time the filing in the above-captioned proceeding was made,  
47 Respondent placed copies of the filed evidence, available for public inspection, in  
48 each of its offices. Public notice of the filing was also posted in each of these  
49 offices. Further, Respondent published notice of the filing in the Waukegan  
50 News-Sun, a secular newspaper of general circulation in Respondent's service  
51 territory, in accordance with the requirements of 83 Illinois Administrative Code  
52 Part 255.

53 Q. Please describe Respondent's Exhibit CG-1.1.

54 A. Respondent's Exhibit CG-1.1 includes a copy of the audit report of  
55 Respondent's independent public accountants, Deloitte & Touche, LLP and the  
56 verification by Respondent's Vice President and Controller, Diane Ford. The  
57 audit report includes a copy of Respondent's Statement to Illinois Commerce

Commission – Determination of Reconciliation Balance for Gas Charge for the Year Ended September 30, 2006 (“Statement”) and Independent Auditors’ Report, as described in Rider 2, Section G, of Respondent’s Schedule of Rates.

Q. Was the Statement prepared under your supervision and direction?

A. Yes, it was.

Q. Are the verification and the audit report true and correct copies of Ms. Ford’s verification and the audit report of the independent public accounts?

A. Yes, they are.

Q. What are the types of Gas Charges that Respondent files pursuant to its Rider 2 and what costs do the Gas Charges recover?

A. Each month, Respondent files a Commodity Gas Charge (“CGC”), a Non-Commodity Gas Charge (“NCGC”), a Demand Gas Charge (“DGC”), a Transition Surcharge (“TS”), and an Aggregation Balancing Gas Charge (“ABGC”). The sum of the CGC, NCGC and TS is the Gas Charge, which is applied to all Company-supplied therms except standby therms supplied to transportation customers. Standby therms are priced at the standby commodity charge, which is the sum of the CGC, 50% of the NCGC and the TS. The CGC recovers commodity-related costs. The NCGC recovers non-commodity related costs. The DGC also recovers non-commodity related costs, but from transportation customers. A factor of 50% is applied to the DGC, which is applied to each therm of transportation customers’ contracted for standby service. Revenues arising from the application of the DGC are credited against the non-commodity related costs used in computing the NCGC. The ABGC also recovers non-

commodity related costs, but from suppliers serving small volume transportation customers. The ABGC is applied to all therms delivered or estimated to be delivered by Respondent to customers served under Rider SVT. Revenues arising from the application of the ABGC are credited against the non-commodity related costs used in computing the NCGC. Given that the NCGC, DGC and ABGC all recover non-commodity related costs, revenues recovered under these three charges are jointly reconciled with such costs. Finally, the TS, which is applied to each therm delivered by Respondent, recovers pipeline gas supply realignment transition costs.

Q. The Commission's order requires Respondent to include certain data from the prior reconciliation year in its determination of the current year's reconciliation. Please specify any unamortized Factor A balance at the end of fiscal 2005.

A. The unamortized Factor A balance at the end of fiscal 2005 for each respective Gas Charge is shown on Page 2, Line 1, of Respondent's Exhibit CG-1.1. Respondent's unamortized Factor A balance at the end of fiscal 2005 reflects a refundable balance of \$193,680.52 for the CGC, a recoverable balance of \$1,222,843.31 for the NCGC, DGC and ABGC, and a recoverable balance of \$9,911.75 for the TS, for a total recoverable balance of \$1,039,074.54. These amounts are also reflected on Page 2, Line 13, of Respondent's Statement to Illinois Commerce Commission, Determination of Reconciliation Balance for Gas Charge for the Year Ended September 30, 2005 ("2005 Statement"). This document was submitted as Exhibit 1 in the direct testimony of Mr. James Orsi in

Docket No. 05-0748, reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred for fiscal 2005.

Q. Please specify the total adjustments to gas costs (that is, Factor A) that were amortized to Schedule I in Respondent's fiscal 2005 monthly filings but were not yet reconciled through Schedule II of Respondent's monthly filings at September 30, 2005.

A. Total unreconciled adjustments to gas costs (Factor A) reflect a refundable amount of \$70,584.44 for the CGC, a recoverable amount of \$487,332.38 for the NCGC, DGC and ABGC, and a recoverable amount of \$1,777.02 for the TS, for a total recoverable Factor A of \$418,524.96. These adjustments, for the reported months of August and September, 2005, were not yet reconciled at the end of fiscal 2005. However, they are reflected in the CGC, NCGC, DGC and ABGC, and TS Gas Charges for the effective months of October and November 2005, which fall within fiscal 2006. These amounts are shown on Page 2, Line 2, of Respondent's Exhibit CG-1.1. They are also reflected on Page 2, Line 12, of Respondent's 2005 Statement.

Q. Please specify any Factor O amounts requested by Respondent for fiscal 2005 and collected or refunded during fiscal 2006.

A. There was no Factor O amount requested by Respondent for fiscal 2005, nor were any Factor O amounts collected or refunded during fiscal 2006.

Q. What was Respondent's refundable or recoverable balance for fiscal 2005?

A. Respondent's refundable or recoverable balance for fiscal 2005, which is determined by summing the amounts on Page 2, Lines 1 through 3, of Respondent's Exhibit CG-1.1, reflects a refundable balance of \$264,264.96 for the CGC, a recoverable balance of \$1,710,175.69 for the NCGC, DGC and ABGC, and a recoverable balance of \$11,688.77 for the TS, for a total recoverable balance of \$1,457,599.50. These amounts are shown on Page 2, Line 4, of Respondent's Exhibit CG-1.1. These amounts are also reflected on Page 2, Line 11, of Respondent's 2005 Statement.

Q. What are Respondent's fiscal 2006 recoverable gas costs and revenues?

A. Recoverable gas costs are summarized and shown on Page 2, Line 5, of Respondent's Exhibit CG-1.1. Recoverable gas costs amount to \$190,700,964.75 for the CGC and \$16,709,706.00 for the NCGC, DGC and ABGC, for a total of \$207,410,670.75 to be recovered under the Gas Charge. There are no recoverable gas costs for the TS due to the termination of pipeline transition costs in November 1997, Respondent's fiscal 1998. Although there are no recoverable gas costs for the TS in fiscal 2006, there are revenues arising through the application of the TS, which are recovered under the Gas Charge. These amounts, which are insignificant, arise from billing adjustments and flow through Factor A of the TS. Revenues are summarized and shown on Page 2, Line 6, of Respondent's Exhibit CG-1.1. Revenues arising through the application of each Gas Charge amount to \$202,667,832.54 for the CGC, \$16,268,718.22 for the NCGC, DGC and ABGC for a total of \$218,936,550.76 recovered under the Gas Charge. Recoverable gas costs and revenues are

shown in more detail on Pages 3, 4 and 5 of Respondent's Exhibit CG-1.1 for the CGC, NCGC, DGC and ABGC, and TS, respectively.

Q. Please specify the pipeline refunds or surcharges that Respondent separately reported in fiscal 2006 monthly Gas Charge filings.

A. Pipeline refunds and surcharges, which are summarized and shown on Page 2, Line 7, of Respondent's Exhibit CG-1.1, include a refund of \$1,356.00 for the CGC and a refund of \$9,832.09 for the NCGC, DGC and ABGC for a total of \$11,188.09.

Q. Please specify any other adjustments that were separately reported in fiscal 2006.

A. There were no other adjustments that were separately reported in fiscal 2006.

Q. Please specify the interest, calculated pursuant to Section 525.50 of the Commission's rules, for inclusion in Adjustments to Gas Costs (Factor A).

A. Interest, calculated pursuant to Section 525.50, for inclusion in Adjustments to Gas Costs (Factor A), is shown on Page 2, Line 9, of Respondent's Exhibit CG-1.1, and reflects a refundable amount of \$218,425.48 for the CGC, a recoverable amount of \$18,477.39 for the NCGC, DGC and ABGC and a recoverable amount of \$438.12 for the TS, for a total refundable amount of \$199,509.97.

Q. What was Respondent's over- or under- recovery for fiscal 2006?

A. Respondent's over- or under-recovery for fiscal 2006 is shown on Page 2, Line 10, of Respondent's Exhibit CG-1.1. The over- or under-recovery for each



Gas Charge can be determined by deducting the amount on Line 6 (revenues arising through the application of each Gas Charge) from the amount on Line 5 (costs recoverable through each Gas Charge) and adding the amounts on Line 7 (separately reported pipeline refunds or surcharges), Line 8 (separately reported other adjustments), and Line 9 (interest). Using this calculation, Respondent's over- or under-recovery for fiscal 2006 reflects an over-recovery of \$12,186,649.27 for the CGC, an under-recovery of \$449,633.08 for the NCGC, DGC and ABGC, and an under-recovery of \$438.12 for the TS, for a total over-recovery of \$11,736,578.07.

Q. Please specify the recovery balance for the reconciliation year.

A. The recovery balance for the reconciliation year, which reflects the sum of the (refundable)/recoverable balances for fiscal years 2005 and 2006 for each respective Gas Charge, is shown on Page 2, Line 11, of Respondent's Exhibit CG-1.1. This amount, which can be determined by summing the amounts on Line 4 (fiscal 2005 balance) and Line 10 (fiscal 2006 balance), reflects an over-recovery of \$12,450,914.23 for the CGC, an under-recovery of \$2,159,808.77 for the NCGC, DGC and ABGC and an under-recovery of \$12,126.89 for the TS, for a total over-recovery of \$10,278,978.57.

Q. Please specify the total adjustments to gas costs (that is, Factor A) that were amortized to Schedule I in Respondent's fiscal 2006 monthly filings but were not yet reconciled through Schedule II of Respondent's monthly filings at September 30, 2006.

194 A. Total unreconciled adjustments to gas costs (Factor A), which are shown  
195 on Page 2, Line 12, of Respondent's Exhibit CG-1.1, reflect a refundable amount  
196 of \$6,017,978.35 for the CGC, a recoverable amount of \$330,769.23 for the  
197 NCGC, DGC and ABGC and a recoverable amount of \$1,857.96 for the TS, for a  
198 total refundable Factor A of \$5,685,351.16. These adjustments, for the reported  
199 months of August and September, 2006, are not yet reconciled at the end of  
200 fiscal 2006. However, they are reflected in the CGC, NCGC, DGC and ABGC,  
201 and TS Gas Charges for the effective months of October and November, 2006,  
202 which fall within fiscal 2007.

203 Q. Please specify any unamortized balance at the end of fiscal 2006.

204 A. The unamortized balance at the end of fiscal 2006 is shown on Page 2,  
205 Line 13, of Respondent's Exhibit CG-1.1. The unamortized balance for each  
206 respective Gas Charge can be derived by deducting the amount on Line 12  
207 (unreconciled Factor A adjustments) from the amount on Line 11 (the over- or  
208 under-recovery balance for the reconciliation year). Respondent's unamortized  
209 balance at the end of fiscal 2006 reflects a refundable balance of \$6,432,935.88  
210 for the CGC, a recoverable balance of \$1,829,039.54 for the NCGC, DGC and  
211 ABGC, and a recoverable balance of \$10,268.93 for the TS, for a total refundable  
212 balance of \$4,593,627.41.

213 Q. Please specify any Factor O amounts requested by Respondent for fiscal  
214 2006.

215 A. There are no Factor O amounts requested by Respondent for fiscal 2006.

216 Q. Does Respondent's Exhibit CG-1.1 include other reports that support the  
217 summary amounts shown on Page 2?

218 A. Yes. Respondent's Exhibit CG-1.1 includes a summary of the detailed  
219 Schedule II, Adjustments to Gas Costs (Factor A) reports that were filed as part  
220 of Respondent's monthly Gas Charge reports for fiscal 2006. Pages 6, 7 and 8  
221 of Exhibit CG-1.1 reflect Schedule II reports that were filed for the CGC, NCGC,  
222 DGC and ABGC, and TS, respectively. These reports reflect the monthly  
223 reconciliation of recoverable gas costs and Gas Charge revenues, adjustments  
224 to gas costs (Factor A), refunds and other adjustments, Factor A amortizations  
225 and unamortized balances, Factor O amortizations and unamortized balances,  
226 and interest determined for each Gas Charge. Finally, Page 9 of Exhibit CG-1.1  
227 contains notes that explain Gas Charge reconciliation summary items noted on  
228 Page 2 of Exhibit CG-1.1.

229 Q. Does this conclude your direct testimony?

230 A. Yes, it does.